

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 692 - HB 672

February 27, 2013

SUMMARY OF BILL: Adds to the definition of “underutilized or vacant property” any building or facility that houses a school in which the total number of students enrolled is less than 70 percent of the school’s enrollment capacity. Requires local education agencies (LEAs), in which one or more public charter schools are operating, to annually catalog all underutilized and vacant property and submit this list to the Department of Education, the Comptroller of the Treasury, and the Tennessee Charter Schools Association by October 1st. Requires this report to also include any vacant or underutilized property that the LEA has a specific plan for between the time the report is submitted and the end of the following full school year. Succeeding reports shall state whether that purpose has been implemented.

Requires LEAs with such properties to make them available for use by public charter schools. Requires the LEA to schedule a meeting to discuss the transfer of buildings or facilities to the public charter school on a temporary or permanent basis, upon request by a public charter school for the use of such property. Authorizes the LEA and public charter school to enter into a contract setting forth various provisions regarding building or facility use. Lease agreements shall not reflect outstanding bond debt.

Creates an arbitration process in the event an LEA and public charter school cannot come to an agreement regarding the use of underutilized or vacant property by using an arbitrator from the American Arbitration Association (AAA). Requires the full cost for arbitration services to be borne by the losing party. Requires any legal fees to be borne by the respective parties.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent a local education agency is a party to arbitration, and the arbiter (the American Arbitration Association) rules in favor of a public charter school, the mandatory increase in local government expenditures could reasonably exceed \$1,000. Otherwise, the fiscal impact of this bill to state and local government is considered not significant.

Assumptions:

- The number of cases that will be heard by an arbiter from the AAA is unknown and dependent upon multiple unknown factors including but not limited to, the number of requests for arbitration that will be made annually, the length of the arbitration process,

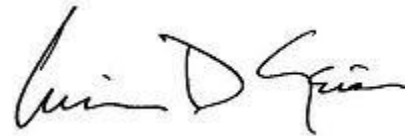
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and the number of requests that will be made each year by public charter schools to use underutilized or vacant property.

- According to the AAA website, there is a preliminary filing fee for arbitration cases heard by the AAA. It is unknown what the preliminary filing fee for arbitration cases of this type will be, however, the AAA website has preliminary filing fees ranging from a few hundred dollars to over a thousand dollars per case.
- It is reasonably estimated that the party who wishes to commence arbitration will pay for the preliminary filing fee. If the winning party was the initial filing party, it is further assumed that the preliminary filing fee will be paid in addition to any other arbitration case expenditures.
- In the event that a case is heard and the LEA loses, the LEA will pay for the cost of the arbitration hearing. Though unknown, it is reasonably estimated the increase in local expenditures per arbitration case lost could reasonably exceed \$1,000.
- Any increase in local expenditures for legal fees is unknown and unable to be reasonably estimated.
- Any increase in local expenditures for LEAs to make a list of such properties is estimated to be not significant.
- Current statute authorizes lease agreements for use of vacant and underutilized LEA properties between public charter schools and LEAs. In addition, it is assumed that more lease agreements will not be signed, at least not without arbitration, than would have been signed under current law.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', written in a cursive style.

Lucian D. Geise, Executive Director

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